

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(BALTIMORE DIVISION)**

In re: * Chapter 11
NOVATION COMPANIES, INC., *et al.*¹ * Case No. 16-19745, 16-19747-19749
* (Jointly Administered)
*
Debtors.
* * * * *

REQUEST FOR STATUS CONFERENCE

Novation Companies, Inc. (“Novation”) and NovaStar Mortgage LLC (NovaStar Mortgage), two of the debtors and debtors in possession (the “Plan Debtors”) in the above referenced cases, by and through their undersigned counsel, respectfully request a status conference with the Court as set forth below:

1. On April 4, 2017, the Plan Debtors’ filed a First Amended Joint Chapter 11 Plan of Reorganization of (i) Novation Companies, Inc. and (ii) NovaStar Mortgage, LLC (the “Amended Plan”) [Docket No. 396];
2. On April 6, 2017, the Court conducted a hearing on the Plan Debtors’ Disclosure Statement.
3. On April 10, 2017, the Plan Debtors filed its First Amended Disclosure Statement Regarding First Amended Joint Chapter 11 Plan of Reorganization of (i) Novation Companies, Inc. and (ii) NovaStar Mortgage, LLC [Docket No. 405].

¹ The Debtors in these chapter 11 cases are: (i) Novation Companies, Inc. f/k/a NovaStar Financial, Inc., (ii) NovaStar Mortgage LLC f/k/a NovaStar Mortgage, Inc., (iii) NovaStar Mortgage Funding Corporation and (iv) 2114 Central, LLC f/k/a Advent Financial Services, LLC.

4. On April 11, 2017, the Court entered an Order Approving Disclosure Statement, Setting Hearing on Confirmation of Plan and Fixing Time For Filing Acceptances or Rejections of Plan Combined With Notice Thereof (the “Disclosure Order”) [Docket No. 409];

5. The Disclosure Order establishes a voting deadline of May 22, 2017, written objections to confirmation of the Amended Plan on May 24, 2017 and scheduled a confirmation hearing on the Amended Plan beginning on May 31, 2017.

6. The Plan Debtors on one hand and Taberna Preferred Funding I, Ltd., Taberna Preferred Funding II, Ltd. and Kodiak CDO I, Ltd. (collectively the “Noteholders”) on the other hand, have recently engaged in negotiations concerning the settlement of material disputes and controversies and the treatment of the Noteholders under the Amended Plan. As a result of those negotiations the Plan Debtors and the Noteholders have on this date entered into a Term Sheet providing for the settlement of disputes and the revised treatment of the related Indentures and certain notes held by Noteholders. The key provisions of that Term Sheet require that the Amended Plan be revised to include, among other things, the following:

- (i) The Noteholders will be issued new secured notes that will bear interest at the rate of LIBOR +350 basis points, and in the event of any default thereunder interest will accrue at a rate of 3.0% *per annum* plus the rate otherwise applicable to such amounts and will be payable on demand;
- (ii) The secured notes will mature March 20, 2033 (the same maturity date as the existing notes);
- (iii) The secured notes will be secured by first priority liens covering all assets of the Debtors and all Subsidiary Guarantors, excluding (a) accounts receivable and (b) inventory of any existing and future operating businesses of the Debtor or any Subsidiary Guarantor (including but not limited to HCS);
- (iv) Upon the Effective Date of the Plan the Debtors will pay the Noteholders a Cure Payment of approximately \$5.8 million² so long

² The Noteholders have alleged that the cure payment should be in excess of \$10 million as of June 30, 2017, but have agreed to settle this dispute as set forth herein.

as the Closing Date shall occur on or before July 31, 2017; thereafter the Full Rate shall accrue and be payable on overdue principal and interest as set forth in the 2011 Indentures

7. The parties anticipate that such revised treatment will require a revision of the Amended Plan.

8. Under the circumstances and considering the pendency of the Confirmation Hearing, the Debtors believe that a brief status conference with the Court to discuss, among other things, the timing of the hearing on Confirmation of the Amended Plan is warranted. The Debtors request such a hearing as soon as the Court's docket permits. Further, as there are multiple out of state counsel involved, the Debtors request that out of state counsel be permitted to participate telephonically to save estate expenses.

WHEREFORE, the Plan Debtors request that the Court schedule a Status Conference at the earliest time as the Court's docket permits, and for such other and further relief as is just.

Dated: May 12, 2017

/s/ Joel I. Sher

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 12th day of May, 2017, a copy of the *Debtors' Request for Status Conference* was served on the parties listed below by electronic mail.

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